

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-08 INR-07 LAB-04
NSAE-00 SIL-01 TRSE-00 DODE-00 PM-04 H-01 L-03 NSC-05
PA-01 PRS-01 SP-02 SS-15 USIA-06 SAJ-01 /072 W
-----231306 010862 /45

R 230830Z FEB 77

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 9861

INFO AMEMBASSY BONN

AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY LONDON

AMEMBASSY OSLO

AMCONGEN GOTEBOG

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E.O. 11652: N/A

TAGS: ELAB, SW

SUBJECT: CURRENT LABOR SCENE IN SWEDEN

1. SUMMARY. UNIONS AND MANGEMENT ARE STILL FAR APART
IN NEGOTIATIONS ON CENTRAL AGREEMENT AND MEDIATOR MAY BE
CALLED IN VERY SOON. PRELIMINARY TALKS ON IMPL-
MENTING NEW CO-DETERMINATION LAW HAVE REVEALED HOW DIFFI-
CULT THIS IS GOING TO BE. OUTLOOK IS FOR SLOW AND GRADUAL
PROCESS. LO WILL ATTEMPT TO REVIVE INTEREST IN WAGE-EARNER
FUND ISSUE BUT NOT UNTIL NEXT YEAR. LO AND NON-SOCIALIST
GOVERNMENT ARE STILL AT ARM'S LENGTH BUT LO SEEMS SOME-
WHAT WEAKER FOE AT PRESENT TIME.

LABOR MANAGEMENT NEGOTIATIONS

2. NATIONWIDE CONTRACT NEGOTIATIONS FOR THE PRIVATE INDUSTRY
SECTOR, BEGUN ABOUT THREE MONTHS AGO, CONTINUE TO PLOD
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ALONG WITHOUT SIGNIFICANT PROGRESS SO FAR. CONTRARY TO
EXPECTATIONS, PAY RATHER THAN BRAND NEW ISSUE OF CO-DETER-
MINATION IS MAIN BONE OF CONTENTION. AGAINST BACK-
GROUND OF RISING UNEMPLOYMENT, HUGE INVENTORIES AND
INSISTENT APPEALS BY NON-SOCIALIST GOVERNMENT FOR
RESTRAINT, UNIONS ARE IN ESPECIALLY WEAK BARGAINING
POSITION BUT SEEM UNWILLING UP TO NOW TO ACCEPT CONSE-

QUENCES. BECAUSE WEST GERMANY IS CHIEF COMPETITOR IN FOREIGN MARKETS, SWEDES ARE PARTICULARLY SENSITIVE TO GERMAN PRODUCTION COSTS AND RECENT GERMAN METAL WAGE AGREEMENT VALUED AT 8.5 TO 9 PERCENT (BONN 02043) HAS GIVEN LITTLE COMFORT TO SWEDISH UNIONS.

3. IN LATEST PHASE OF BARGAINING, LO AND PTK (BARGAINING CARTEL FOR WHITE-COLLAR WORKERS IN PRIVATE INDUSTRY) REJECTED A COMPLICATED OFFER BY SWEDISH EMPLOYERS CONFEDERATION (SAF) WHICH WOULD HAVE PROVIDED A GRADUAL WAGE/SALARY INCREASE ADDING UP TO 2.4 PERCENT BY END OF THE YEAR AND LIFTED TOTAL LABOR COSTS (INCLUDING HIGHER EMPLOYER SOCIAL CONTRIBUTIONS) BETWEEN 8 AND 9 PERCENT. SAF QUALIFIED EVEN THIS MODEST OFFER BY INSISTING ON FLEXIBILITY IN WORKING HOURS AND VACATIONS AS DETERMINED BY PRODUCTION REQUIREMENTS AND RESTRICTIONS ON SICK LEAVE PRIVILEGES. LO AND PTK COUNTERED WITH A JOINT PROPOSAL WHICH WOULD HAVE YIELDED WAGE INCREASES OF 5.8 PERCENT FOR BLUE-COLLAR WORKERS AND 4.8 PERCENT FOR SALARIED COUNTERPARTS. THESE WOULD HAVE AMOUNTED TO RISES IN TOTAL LABOR COSTS OF 12 TO 13 PERCENT AND 11 TO 12 PERCENT RESPECTIVELY. SAF CONDITIONS ON HOURS, VACATIONS AND SICK LEAVE WERE TURNED DOWN FLATLY. IT IS NOW EXPECTED THAT BOTH SIDES WILL DECLARE A BREAKDOWN IN NEGOTIATIONS WITHIN THE NEXT SEVERAL DAYS AND REQUEST A MEDIATOR.

4. LENGTH OF CONTRACT IS ALSO UP IN THE AIR. ALTHOUGH EMPLOYERS HAVE RELUCTANTLY ACCEDED TO UNION DEMAND FOR ONE-YEAR AGREEMENT, THIS MAKES LESS AND LESS SENSE AS LIMITED OFFICIAL USE

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TIME PASSES WITHOUT A SETTLEMENT. IF IMPASSE SHOULD CONTINUE FOR MUCH LONGER, THERE WILL BE GROWING LIKELIHOOD OF 3-YEAR CONTRACT SINCE OTHER ALTERNATIVE OF EXPIRY IN 1979 APPEALS TO NEITHER SIDE SINCE IT WOULD MEAN RENEWED BARGAINING IN TENSE ATMOSPHERE OF NEXT NATIONAL ELECTION.

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CO-DETERMINATION

5. A MORE CAREFUL READING OF NEW CO-DETERMINATION LAW AND INITIAL DIFFICULTIES OF APPLICATION INDICATE THAT LEGISLATION IS NOT QUITE AS RADICAL AND FAR-REACHING AS UNIONS AND FORMER SOCIAL DEMOCRATIC GOVERNMENT MADE IT OUT TO BE. AS REPORTED PREVIOUSLY, ACT PRODS MANAGEMENT TO NEGOTIATE COLLECTIVE AGREEMENTS SETTING UP PROCEDURES FOR WORKER PARTICIPATION IN RUNNING COMPANY AFFAIRS. FROM EVERYTHING WE CAN GATHER, THERE HAS BEEN VIRTUALLY NO PROGRESS SO FAR IN DEVELOPING ANY KIND OF MUTUAL BASIC APPROACH TO THIS QUESTION. UNION PROPOSALS HAVE LACKED CONCRETENESS WHILE MANAGEMENT HAS BEEN ARGUING FOR PRACTICAL, EVERYDAY STEPS IN GRADUAL EVOLUTION TOWARDS JOINING REGULATION. IN ABSENCE OF AGREEMENTS, THE LAW REQUIRES EMPLOYERS ON OWN INITIATIVE TO NEGOTIATE WITH UNIONS BEFORE INTRODUCING IMPORTANT CHANGES, BUT WHERE PARTIES HAVE FAILED TO AGREE, EMPLOYER IS FREE FINALLY LIMITED OFFICIAL USE

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TO IMPLEMENT HIS DECISION. WHILE THIS COMPLICATES AND DELAYS DECISION-MAKING, FINAL AUTHORITY REMAINS WITH EMPLOYERS AND THEY ARE NOT ABOUT TO TRADE THIS OFF FOR AGREEMENTS WHICH WOULD SUBSTANTIALLY DILUTE SUCH AUTHORITY. ANOTHER PROBLEM OF A LEGAL NATURE IS AN APPARENT CONFLICT BETWEEN CO-DETERMINATION LAW AND COMPANIES ACT. LATTER MAKES MANAGEMENT RESPONSIBLE TO SHARE-HOLDERS FOR DECISIONS TAKEN. SOME GOVERNMENT ACTION APPEARS NEEDED TO RESOLVE THIS DIFFICULTY. WHILE CO-DETERMINATION LAW HAS UNQUESTIONABLY STRENGTHENED AND EXPANDED UNION ROLE AND WILL ULTIMATELY LEAD TO SUBSTANTIAL WORKER IN-

VOLVEMENT IN TRADIONAL MANAGEMENT SPHERE, ALL SIGNS
POINT TO THIS HAPPENING GRADUALLY AND UNDRAMATICALLY IN
USUAL SWEDISH MANNER.

WAGE-EARNER FUNDS

6. EARLIER THIS MONTH, LO ATTEMPTED TO BREATHE SEOM
LIFE INTO DORMANT WAGE-EARNER FUND CAMPAIGN. WHILE
PUBLICLY ADMITTING FOR FIRST TIME THAT ITS AGRESSIVE AND
STUBBORN ADVOCACY OF MEIDNER PLAN HAD SIGNIFICANTLY
CONTRIBUTED TO SOCIAL DEMOCRATS' DEFEAT IN SEPTEMBER'S
ELECTION, LO ANNOUNCED THAT HENCEFORTH IT WOULD CONSULT
CLOSELY WITH PARTY ON THIS MATTER AND THAT NEW GUIDELINES
FOR ACHIEVING GOAL WILL BE ESTABLISHED AT NEXT YEAR'S SDP
CONGRESS. IT WAS ANTICIPATED THERE WILL BE REVIVAL OF
INTEREST IN ISSUE WHEN MEHR COMMISSION ON WAGE-
EARNER FUNDS RELEASES ITS FIRST REPORT IN MARCH 1978.

UNIONS AND GOVERNMENT

7. RELATIONS BETWEEN LO AND GOVERNMENT REMAIN DISTANT
AND DISTRUSTFUL. IN MOST RECENT EPISODE LO REACTED
ANGRILY TO MEETING CONVENED BY LABOR MINISTER AHLMARK
WITH REPRESENTATIVES OF FIVE UNIONS IN INDUSTRY SECTORS
BADLY HIT BY UNEMPLOYMENT. LO SENT CURT LETTER TO PM
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FALLDIN REMINDING HIM THAT LO IS APPROPRIATE CHANNEL FOR
CONTACTS BETWEEN GOVERNMENT AND LO AFFILITATES. PM
WROTE PROMPT ANSWERING LETTER TO LO PRESIDENT GUNNAR
NILSSON IN EFFORT TO SOOTHE RUFFLED FEATHERS. HE
ASSURED NILSSON THAT GOVERNMENT DOES NOT INTEND TO
BYPASS LO IN ITS RELATIONS WITH TRADE UNION MOVEMENT.
HE EXPLAINED THAT MEETING IN QUESTION WAS ATTEMPT TO
OPEN DEBATE ON EMPLOYMENT PROBLEMS WITH KNOWLEDGE-
ABLE PEOPLE BUT EMPHASIZED LATTER WERE NOT REGARDED AS
SPOKESMEN FOR LO. PM ENDED LETTER SAYING HE LOOKED
FORWARD TO MEANINGFUL DISCUSSIONS WITH NILSSON AND HIS COLLEAGUES.

COMMENT:

8. PERIOD SINCE FALL ELECTION HAS BEEN HUMBLING EXPERIENCE
FOR MIGHTY LO. LONG ACCUSTOMED TO SPEAK WITH ALMOST GOVERNMENTAL
AUTHORITY, LO HAS NOT YET ADJUSTED TO ITS LOSS OF SPECIAL STATUS.
CAUGHT IN A DIFFICULT BARGAINING SITUATION WITH A NEWLY-
CONFIDENT MANAGEMENT, LO SOUNDS DEFENSIVE AND SOMEHOW UNCERTAIN.
WHILE IT CERTAINLY REMAINS THE STRONGEST POPULAR ORGANIZATION
IN SWEDEN, LO SEEMS AT LEAST FOR THE MOMENT A LESSER THREAT
TO THE GOVERNMENT THAN IT DID EARLIER.
SMITH

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COLLECTIVE BARGAINING, WAGES, PROGRESS REPORTS, LABOR UNIONS, CONTRACTS
Control Number: n/a
Copy: SINGLE
Sent Date: 23-Feb-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STOCKH00801
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770062-0854
Format: TEL
From: STOCKHOLM
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770215/aaaaanxh.tel
Line Count: 224
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: d11561c0-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 25-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3247697
Secure: OPEN
Status: NATIVE
Subject: CURRENT LABOR SCENE IN SWEDEN
TAGS: ELAB, SW
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/d11561c0-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009